

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 FEA-01 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05
SS-15 STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
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FM AMEMBASSY BRASILIA

TO USMISSION GENEVA

INFO SECSTATE WASHDC 2265

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

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FOR USMTN

E.O. 11652: N/A

TAGS: ETRD BR

SUBJECT: VISIT TO CUSTOMS POLICY COUNCIL (CPA)

FOLLOWING MESSAGE PREPARED IN RIO DE JANEIRO:

1. USIS VOLSPEAKER PROF. JOHN JACKSON (FORMER GENERAL
COUNSEL OF STR AND NOW AT UNIVERSITY OF MICHIGAN) CALLED MAY 27
ON DR ANTONIO PASCHOAL, SECRETARIO EXECUTIVO OF CONSEHLO DE
POLITICA ADUANEIRA AT MINISTERIO DA FAZENDA. PASCHOAL GAVE
JACKSON AND CONGEN REO E/C CHIEF JONES EXTENSIVE OVERVIEW OF
CPA'S FUNCTIONS AND ORGANIZATION, NOTING THAT 100-MAN TECHNICAL
NATIONAL NEGOTIATIONS. (PASCHOAL HIMSELF WAS DIRECTOR OF LATTER
UNIT FROM 1968 TO 1974 WHEN HE BECAME EXECUTIVE SECRETARY --
HIGHEST INTRA-CPA RANK, SINCE SIMONSEN IS PRESIDENT OF COUNCIL.)
CPA, HE SAID, HAS SUBSTANTIAL DELEGATED AUTHORITY, BEING EMPOWERED
TO MOVE TARIFFS UP AS MUCH AS 30 PERCENT OR DOWN AS MUCH AS 100
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PERCENT. IT SEEKS TO ADJUST TARIFFS SPECIFICALLY TO PROVIDE A
CALCULATED AMOUNT OF PROTECTION TO BRAZILIAN INFANT INDUSTRIES,
AND TECHNICAL STUDIES ARE AIMED AT DETERMINING A CORRECT
LEVEL, NEITHER KEEPING OUT PRODUCTS NOT ADEQUATELY PRODUCED HERE
NOR UNDULY BOOSTING IMPORT PRICES AND INFLATION. HE STRESSED
THAT CPA REGARDED ITSELF AS AGENCY TO KEEP BRAZIL'S INDUSTRIES
AT "WORD LEVEL," NOT PROTECTING THEM TO A DEGREE THAT WOULD

MEAN MISALLOCATION OF RESOURCES OR GENERAL INEFFICIENCY.

2. ASKED ABOUT BRAZIL'S POSITION IN GATT, PASCHOAL MADE EXTENDED PRESENTATION ON "INHERENTLY UNFAIR" STRUCTURE OF CONCESSION MECHANISM FOR A RAPIDLY-GROWING LDC SUCH AS BRAZIL. SINCE WITHDRAWAL OF CONCESSIONS, REQUIRED WHEN A BRAZILIAN INDUSTRIAL BRANCH EXPANDS INTO NEW PRODUCTS, HAS HIGH COST IN TERMS OF NEGOTIATING SATISFACTORY COMPENSATION WITH VARIOUS TRADING PARTNERS BRAZIL FINDS ITSELF FRUSTRATED BY LENGTHY AND EXPENSIVE NEGOTIATIONS JUST TO UPDATE ITS INDUSTRIES' NECESSARY PROTECTION. HE POINTED TO THE 1968-74 NEGOTIATIONS IN CONNECTION WITH BRAZIL'S THEN-NEW CUSTOMS CODE; BY THE END OF THE NEGOTIATIONS, BRAZILIAN INDUSTRIAL DEVELOPMENT HAD PROCESSED FAR ENOUGH TO OBSOLETE MOST OF THE PAINFULLY-BARTERED ARRANGEMENTS. CONSEQUENTLY, PASCHOAL SAID, BRAZIL HAS DECIDED THAT IT SIMPLY CANNOT AFFORD THE CONCESSIONS IT IS BEING ASKED TO MAKE AT MTN. HE MADE STRONG PLEA FOR SGD TREATMENT FOR LDCS PRECISELY BECAUSE THE GATT COMPENSATION REQUIREMENTS WERE AIMED AT DEVELOPED NATIONS WITH LESS PERVASIVE CHANGES IN INDUSTRIAL STRUCTURE. ON THE OTHER HAND, HE REGRETTED THAT THE BRAZILIAN PRESS HAD "OVER SIMPLIFIED" THE GOB'S GENEVA POSITION INTO AN OUTRIGHT REFUSAL TO MAKE MTN CONCESSIONS. (COMMENT: JONES HAS UNDERSTOOD THAT THE BRAZILIAN GOB HAD INFORMED USMTN THAT GOB POSITION WAS PRECISELY A REJECTION OF AN CONCESSIONS, SO PASCHOAL'S CLAIM THAT THIS IS "OVERSIMPLICATION" IS PERHAPS OF INTEREST.)

3. IN DESCRIBING THE CPA'S AUTHORITY, PASCHOAL ALSO SAID THAT IT WAS EMPOWERED TO SET "REFERENCE PRICES" FOR IMPORTS. HE LIMITED OFFICIAL USE

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CONTRASTED THE BRAZILIAN MECHANISM TO THE EC'S REFERENCE PRICE SYSTEM WHICH HAS BEEN STRONGLY CRITICIZED IN GATT. HE SAID THE EC SYSTEM WAS OBVIOUSLY PROTECTIONIST IN ITS USE OF "INTERNAL" PRICE BASES, BUT THAT BRAZILIAN PRICES WERE CAREFULLY PEGGED TO WORLD MARKETS ON WEIGHTED BASIS. HAVING EARLIER ACKNOWLEDGED PROTECTIONIST AIMS OF GOB TARIFF POLICY, PASCHOAL WAS CAREFUL TO POINT OUT THAT ITS REFERENCE-PRICE MECHANISM WAS ONLY AIMED AT PROPER INVOICING AND "CORRECT" COMPETITION. JACKSON SAID IT SOUNDED LIKE A CROSS BETWEEN ANTI-DUMPING AND COUNTERVAILING -- A DESCRIPTION WITH WHICH PASCHOAL DID NOT DISAGREE. AS WITH COUNTERVAILING, REFERENCE PRICES ONLY ATTEMPT TO "PUT BACK WHAT WAS ARTIFICIALLY REDUCED," WITH CPA ORDERING COLLECTION OF AN AMOUNT BETWEEN AN ARTIFICIALLY LOW PRICE ON A GIVEN IMPORT AND THE REFERENCE PRICE, AND THEN DUTY ASSESSED AS THOUGH THE REFERENCE PRICE WERE THE ACTUAL PRICE. (COMMENT: AFTER LEAVING CPA, JACKSON SAID THAT, JURIDICALLY THERE APPEARED TO BE NO DIFFERENCE BETWEEN THE EC APPROACH AND THE BRAZILIAN ONE. HE WAS INTERESTED IN THE LATTER, SINCE BRAZIL HAS NOT BEEN CHALLENGED ON IT BECAUSE OF GATT'S PREOCCUPATION

WITH OTHER NTB'S.)
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Disposition Case Number: n/a
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Disposition Date: 22 May 2009
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